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SUBJECT: GOS MOVES TO SUPPORT AUTO INDUSTRY WITH MODEST MEASURES

REF: A. SECSTATE 04753

[1](#)B. 08 MADRID 1189

[1](#)1. (U) Summary. Spain is the eighth largest producer of automobiles in the world, making any downturn in the automotive industry significant for the Spanish economy. With domestic production down 45 percent in December from the year before, it is no surprise that more than half of Spain's 70,000 auto workers have been affected by "temporary" layoffs. The GOS has warned the 11 multinational auto companies against outright layoffs and has introduced two relatively modest measures to stimulate lending for innovative production and green-car purchases (800 million euros and 1.2 billion euros, respectively). Spanish auto industry associations are pushing for more aggressive action, and the GOS continues to consider additional car industry aid. End Summary

[1](#)2. (U) As Spain is the eighth largest producer of automobiles in the world, any downturn in the automotive industry is significant for the country and its economy. This sector directly employs 70,000 Spanish workers - with hundreds of thousands more indirectly employed - and contributes 2-5 percent to GDP. With domestic sales down by 42 percent in January and domestic production down 45 percent in December from the year before, practically all the 11 multinational auto companies operating in Spain have reduced employee work hours via "temporary layoff plans." Between 30,000-50,000 auto industry workers have reportedly been affected by these work hour reductions, ranging from days to weeks. Some auto makers have also employed small-scale permanent layoffs despite GOS warnings that such layoffs will preclude these companies from benefitting from GOS support measures.

[1](#)3. (U) However, so far GOS measures have been relatively modest. The GOS announced a 800 million euros auto support package in November, with 110 million euros to be designated for training, engineering and systems projects and the remaining 690 million euros to be used as a zero-interest credit line for new production lines and technology (particularly energy efficient or otherwise innovative technology). The GOS has also recently reintroduced and increased eligibility for its summer 2008 plan to provide 1.2 billion euros in low-interest loans for those wishing to replace older cars with new environmentally friendly cars. The GOS has not taken any measures to support the auto companies' suppliers.

[1](#)4. (U) Regional governments have also actively worked to encourage car makers to keep their plants open and jobs

available. The president of the region of Aragon said November that the region intended to provide 200 million euros in loans for General Motors to produce its new Opel model at its Figueruelas plant. The president of Catalonia travelled recently to Japan, among other reasons, to convince Nissan decision makers to keep plants in Barcelona open. (Note: Nissan attempted to lay off over 1,600 workers in November at its plant in Barcelona, a move that was met with angry, semi-violent demonstrations (ref B))

15. (U) Comment: Overall, auto industry associations in Spain have not been satisfied with the GOS measures to date and are pushing for more aggressive action. Media reports suggest that the GOS continues to engage with auto makers and to examine providing additional car industry aid such as a reduction in car taxes or fees. However, the GOS will be limited in the extent that it can affect demand, and hence production, since 80-90 percent of cars produced are exports to the rest of Europe. There are 11 multinational car producers that operate in Spain, including General Motors and Ford, with a total of 18 factories across the country. There are no entirely Spanish car producing companies in Spain.

CHACON